Dirigo 2.0 Summary

Cost Containment

- Require premium discounts for nonsmokers and worksite wellness programs
- Increase rate regulation in the individual and small business market and require insurance companies to spend 78¢ of every dollar on health care
- Allow insurers to negotiate lower costs for consumers (rule 850)
- Require insurance companies to provide transparency on how rates are set
- Continue voluntary hospital spending limits
- Create the Maine Reinsurance Program in the individual market with a provision to repeal program if cost savings are not achieved

Increase Access

- Assure moderate growth of the DirigoChoice product covering the under and uninsured
- Require "Shared Responsibility" -individuals and businesses must have or offer coverage or pay to cover the uninsured
- Reduce the amount employers pay to participate in DirigoChoice
- Support LD 431, allowing Dirigo to self administer
- Allow multiple carriers to offer a subsidized DirigoChoice product
- Require all insurers in the individual market to offer a $1000 deductible PPO product, covering prescription drugs and no lifetime benefit limit

Quality

- Continue Maine Quality Forum helping Mainers get the right care at the right time and assuring patient safety
- Create a revolving loan fund for quality initiatives

For more information please contact the Governor's Office of Health Policy and Finance
207-624-7445

DirigoHealth
Working For Maine

Maine Reinsurance Program

- Pulls out costs not people
- Same pool regardless of health status
- Same product for everyone regardless of health status
- Maintains guarantee issue- no one can be turned down for coverage
- Modifies community rating - reduces the base rate for all then allows some variation in premiums
- Assures availability of lifetime benefits with no limits

How it Works

The Reinsurance Program pulls out costs - not people.

By paying for some of the high costs, carriers can reduce the base rate for everybody in the individual market.

Maine is one of seven states that "community rate" individual insurance premiums. Rates are based on the community as a whole which buys individual policies and not on the costs an individual incurs.

Today we have modified community rating - carriers can adjust the community rate -the base rate from which premiums are set- by 20% up or down, depending on where you live and how old you are.

In the Reinsurance Program - first that base or community rate is lowered by taking out high costs, then the carrier may vary premium costs up or down by 50% and may add an additional 10% for health status, these increases come only after the Reinsurance Program reduces the base rate.

The Reinsurance Program means the community rate drops for everyone but then can be adjusted so that younger healthier people pay less -that means younger people who have been priced out can afford coverage. When young healthy people join the pool it means everybody benefits from their lower costs. The Reinsurance Program does mean older and sicker people may pay slightly more - but those increases are capped and the benefits older or sicker people receive will be the same as younger healthier people – and requires a low deductible option with no life time limit be offered.

How is it financed

Insurance companies now pay premium taxes but HMOs do not. This legislation extends that tax to them.

In addition insurers will use a portion of the premiums they collect to contribute to the Reinsurance Program.

What if it doesn't constrain premium costs?

The Reinsurance Program will not go into effect if, according to the Bureau of Insurance, it hasn't lowered premium rates in the individual market.

DirigoHealth
Working For Maine

Sharing Responsibility for Health Care Costs

- Two out of three employers currently offer health benefits and are paying a hidden tax to make up for those that do not
- Equitably spreads the costs of health care for uninsured Mainers
- Requires most individuals to have health insurance
- Lowers cost growth of health insurance by bringing more people into the insurance pool
- A national trend – pay or play has been enacted in Massachusetts and Vermont and is being considered in a number of other states.

How it Works

The United States has a voluntary, employer-based health insurance system. Employers and individuals who choose not to purchase insurance impose a hidden tax on those who do choose to purchase. Shared Responsibility builds on the US employer-based system, creating a level playing field and a shared responsibility for employers and individuals.

Voluntary programs leave too many uninsured, whose costs are then passed on in higher costs to everybody who pays premiums.

Maine's hospitals reported $184 million in bad debt and charity in 2005 (MHDO).

Nearly 3/4 of the uninsured are employed.

It's not fair for some employers to step up to the plate and provide health coverage while competitors don't. When everyone has insurance we all share the risk and lower the cost for everyone. It is not fair for people who can afford coverage to go without. Similar to the requirement that everyone must have auto insurance, everyone must have health insurance.

Employer and individual Shared Responsibility will go into effect by July 2008 and January 2009 respectively. Those who do not have or provide coverage will make a contribution to support the uninsured.

The Dirigo Health Agency, in consultation with representatives from the business, labor, economic development, taxation, consumer, healthcare communities and other stakeholders, will develop rules to implement the plan no later then November 2007. This process will propose which employers and individuals are affected and how much they will pay, pending final approval of the legislature.